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AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

June 12, 2006

The Honorable Laura Knaperek, Chair
Joint Legislative Audit Committee

The Honorable Robert Blendu, Vice Chair
Joint Legislative Audit Committee

Dear Representative Knaperek and Senator Blendu:

Our Office has recently completed a 6-month followup of the Phoenix Elementary School District's implementation status for the 16 audit recommendations (including sub-parts of the recommendations) presented in the performance audit report released in September 2005. As the attached grid indicates:

- 1 recommendation has been implemented, and
- 15 recommendations are in the process of being implemented.

Our Office will continue to follow up at 6-month intervals with the District on the status of those recommendations that have not yet been fully implemented.

Sincerely,

Debbie Davenport
Auditor General

Enclosure

cc: Dr. Georgina Takemoto
Governing Board
Phoenix Elementary School District

Phoenix Elementary School District

6-Month Follow-Up Report To

Performance Audit Report Issued September 2005

CHAPTER 1: Administration

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
1. The District should review its administrative positions and their related duties to determine how administrative staffing can be reduced to a more appropriate level.	Implementation in Process	The District reorganized its warehouse, business, and information management departments estimating a net savings of \$200,000 by eliminating some positions while also upgrading and adding other positions. Auditors will evaluate the status of this recommendation at the 12 month followup after the District has finalized its fiscal year 2006 accounting records.
2. The District should recover the overpayments made to employees. Further, the District should use contracts and stipends to establish the pay rates and maximum amounts to be paid. And the District should designate an employee to review actual pay and contract amounts to ensure that employees are paid the correct amounts.	Implementation in Process	The Payroll Department verifies that employees are paid the correct amounts based on contracts and authorized stipend documents. However, the District is not establishing maximum amounts for additional duties paid on an hourly basis. Further, the District has not attempted to recover the overpayments identified in the audit.
3. The District should designate an individual to manage access to its accounting system, ensuring access rights are compatible with job duties. Also, access rights should be deactivated immediately after an employee's termination.	Implementation in Process	The District implemented a procedure to remove terminated employees' access rights and hired a consultant from the software vendor to assist in reviewing employee access to the accounting system. However, there are still a number of users who have more access than needed to perform their regular duties.

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CHAPTER 2: Food Service

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
<p>1. The District should evaluate the purpose of its central kitchen and then determine proper staffing needs.</p>	<p>Implementation in Process</p>	<p>While the District has made some changes in its central kitchen staffing, the net result has not been substantial. The District should continue to evaluate the purpose for and staffing of its central kitchen. Auditors will evaluate the status of this recommendation at the 12 month follow-up.</p>
<p>2. To help reduce the potential for waste and theft and to ensure that adequate control over inventory is maintained, the District should implement inventory management procedures, including:</p> <ul style="list-style-type: none"> a. Establishing receiving procedures, including assigning specific employees to receive and verify deliveries. b. Managing inventory on a first-in-first-out basis, including regular rotation so that the oldest items are used first. c. Establishing inventory tracking and documentation procedures, including physical inventory counts and monthly inventory reconciliation procedures. 	<p>Implemented at 6 months</p>	

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CHAPTER 2: Food Service (concl'd)

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
3. The District should evaluate its entire central warehouse delivery process to determine appropriate staffing levels and minimize damage to food items.	Implementation in Process	The District has made improvements in its storage and delivery process that should minimize damage to food items. However, the District continues to make daily deliveries to each school and has not reduced staffing levels.
4. To aid in evaluating the efficiency of its food service program, the District should develop and monitor performance measures, such as cost per meal and meals per labor hour, and compare them with similar districts'.	Implementation in Process	The District is in the process of implementing a new point-of-sale system to better evaluate the program. Auditors will evaluate the status of this recommendation at the 12-month followup.

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CHAPTER 3: Student Transportation

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
1. The District should limit the amount of nondriving time for which it pays its bus drivers.	Implementation in Process	The District made all drivers full-time employees even though most had a significant amount of nondriving time in their part-time status at the time of the audit. According to the District, they are assigning the drivers to warehouse duties when they are not driving. However, the warehouse is a small operation that already appeared adequately staffed at the time of the audit. Further, the District has not properly allocated this portion of the drivers' salaries to the warehouse function. Auditors will evaluate the status of this recommendation at the 12-month followup.
2. The District should review and modify its bus routes to increase their efficiency.	Implementation in Process	The District has purchased and is implementing new routing software to better evaluate its transportation routes.
3. To aid in evaluating the costs and efficiency of its transportation program, the District should develop and monitor performance measures, including cost per mile, cost per rider, driver productivity, bus capacity utilization, and ride times.	Implementation in Process	The District plans to use information from the new routing software to better evaluate its transportation program. Auditors will review the status of this recommendation at the 12-month followup.

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CHAPTER 4: Plant Operation and Maintenance

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
<p>1. The District should evaluate alternatives and take appropriate actions to reduce plant operation and maintenance costs and potentially redirect these monies into the classroom. At a minimum, the District should review ways to offset the high costs of maintaining excess space in its many underutilized schools.</p>	<p>Implementation in Process</p>	<p>The District reported that it is working on a strategic plan to address the issue of excess capacity, including marketing to increase student enrollment and maximizing the use of facilities through partnerships with the community. The District has also entered into facility use agreements for use of the closed Ann Ott School and has applied for a large grant to create an early childhood program at the same facility.</p>

CHAPTER 5: Proposition 301 Monies

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
<p>1. The District should ensure that it correctly calculates amounts due in accordance with the Governing Board-approved performance pay plan so that eligible employees receive the proper amounts of pay.</p>	<p>Implementation in Process</p>	<p>The Assistant Superintendent for Business Services now reviews to ensure that employees receive the correct amount of performance pay. However, because performance pay has not yet been paid for fiscal year 2006, auditors will review the status of this recommendation at the 12-month followup.</p>

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CHAPTER 6: Classroom Dollars

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
1. The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.	Implementation in Process	The District indicated it is working to ensure that all transactions are properly classified. Auditors will review the status of this recommendation again after the District has finalized its fiscal year 2006 accounting records.
2. The District should closely analyze its spending in noninstructional areas to determine if savings can be achieved and whether some of those monies can be redirected to the classroom.	Implementation in Process	The District expects that more dollars will be spent in the classroom due to the implementation of other recommendations. Auditors will review the status of this recommendation again after the District has finalized its fiscal year 2006 accounting records.
3. The District should evaluate its use of student support services consultants and the cost benefit of hiring additional therapists and psychologists to reduce its dependence on consultants. Further, the District should ensure that its existing employees are used to the extent possible to further reduce its use of consultants.	Implementation in Process	The District modified its salary schedule to recruit and retain student support employees to reduce its dependence on consultants, with an anticipated savings of over \$500,000. The District anticipates the savings to be realized in the 2006-2007 school year, as contracts with service providers could not be changed mid-year.

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CHAPTER 7: Desegregation Monies

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
1. The District should collect data sufficient to evaluate the effectiveness of its desegregation expenditures in achieving the stated goals, including an ongoing evaluation of its schools' racial and ethnic compositions. Further, the District should document the planned and actual effects that its various desegregation programs have in addressing the associated desegregation goals.	Implementation in Process	The District has evaluated student achievement using AIMS test results and No Child Left Behind criteria. However, the District still needs to collect and evaluate data to measure its schools' racial and ethnic composition and document the planned and actual effects of its desegregation-funded programs in addressing the established desegregation goals.